BRAND PROFILE: BILLABONG

Riding the waves

Surfing enthusiast Gordon Merchant and his partner Rena established board shorts company Billabong back in 1973. The company's start was a humble one; the two-strong team would make the shorts on their kitchen table and then sell them to the local surf shop on Australia's Gold Coast. Because he was a surfer himself, Mr Merchant understood the importance of providing durability and functionality in the shorts he made. One of the ways he did this was to introduce a triple-stitching technique that he had come up with himself.

With decent product on offer, the main task for the firm was to get the region's most prominent surfers to wear its shorts and then to incorporate these well-known figures into its marketing campaign. Billabong became a recognised brand fairly rapidly and, in less than 10 years, it had made its mark in Australia and was looking to expand into overseas markets, starting with North America. It was soon granted licenses in New Zealand, Japan and South Africa, as well as for various countries in Europe.

Not only was it expanding geographically, the brand's product offering was also growing and diversifying. It started to move into new board sport areas such as skate and snow sports. It also began to acquire related brands such as Von Zipper (sunglasses), Element Skateboards, Honolua Surf Company, Kustom footwear, Palmers Surf, Xcel (wetsuits) and girls swimwear brand Tigerlily. Its most recent acquisitions, both of which took place in 2008, include the Sector 9 skateboard brand and the DaKine premium board sport accessories brand.

By 1999—sales had reached approximately $110 million, and growth continued each year. By the 2007-08 financial year total sales had reached a staggering $1.35 billion. Billabong's products are now licensed and distributed in more than 100 countries and are available at approximately 10,000 outlets worldwide. The company employs approximately about 3,500 full-time staff across the globe.



Joel Parkinson signature boardshort. Billabong has sponsored and nurtured many talented surfers including Andy Irons, Taj Burrow, Joel Parkinson and Mark Occhilupo.

Billabong



Handling change

While the board sports company has enjoyed an extremely good run, it, like many other sports apparel manufacturers, has not been immune to the effects of the global economic downturn. However, because of the firm's global reach, it continues to see advances in certain markets,

while others have started to flounder. Commenting on the six-month figures to December 31, the company stated that November and December had, unsurprisingly, been "pretty horrific" in the US. However, Europe delivered some positive news.

"Europe has always had a solid result now for about three or more years. The amazing thing is that the regions that we saw growth in, and we're still seeing growth in, some of those are officially in recession and we still seem to be getting fantastic results coming out of them," said Derek O'Neill during a conference call. "I think that [for] some of those countries, like Germany and Italy, there's still a very strong momentum thing going on. We're getting more and more popular and it's still going really well. Eastern Europe, Central Europe, has been good." He adds that Spain had been a difficult market and, although there was growth in the UK, negative currency effects had a significant impact. The Brazilian and Japanese markets have also been important to the company during these difficult times.

On May 18 the firm revised its earnings forecast, primarily because of weak US earnings. It expects full-year net profit to be between $160 million and $165 million for the 12 months ended June 30 compared with $176.4 million in the prior-year period. "A deterioration in trading conditions at a consumer level in the US in late April and early May, together with a reduction in forward orders within the company's US wholesale account base and the strengthening of the Australian dollar against the US dollar, has led Billabong to review its expectations for the remainder of the 2008-09 financial year," said a company statement.

"As the company approaches the 2009-10 financial year, management's focus will remain on tight overhead, cost and working capital controls to reduce the relative size of the overall cost base while maintaining brand strength and equity," it continued.

Supporting the sector

The company attributes much of its success to its ongoing commitment to the global board sports sector and to its brand integrity. Rather than simply focusing on sales and profit, it has used its resources to sponsor many athletes, has staged many events and has supported various industry bodies. Billabong now sponsors more surf events on the Association of Surfing Professionals World Championship Tour (ASP WCT) than any other surf brand. These events include: the Billabong Pro at Teahupoo in Tahiti, the J-Bay Billabong Pro at Jeffreys Bay in South Africa, the Billabong Pro at Mundaka in Spain and the Billabong Pipeline Masters in Hawaii.

The firm has also sponsored and nurtured some top names in the sport including three times world champion Andy Irons, 2007 Billabong Pro winner Taj Burrow, Joel Parkinson, who has won eight ASP tour victories, and 1999 surfing world champion Mark Occhilupo. Mr Occhilupo, more commonly known as Occy, has been very vocal about the impact the brand and its founder has had on him personally throughout his career.

"Gordon Merchant was a big, big, huge influence and a big role model," he says. "He sponsored me and sent me on tour when I was only about 16. I hadn't really had any great results, but he kind of backed me as you would a racehorse that you didn't know how it was going to go." Not only did he provide the young surfer with suitable clothing to wear when he was surfing, the company founder treated him like a member of the family. "I used to stay with him," he says. "When I was in Cronulla [a beachside suburb in southern Sydney] I used to have the one big turn but didn't really link them together and he was like "Come up and stay with me and surf the Gold Coast". That was a big help, surfing with him and feeding off him because of the way he ran his company and stuff; he was so smart."

Mr Occhilupo took some time out of surfing in the late 1980s because of depression. He explains how supportive Mr Merchant was, even when he lost his desire to surf and gained a lot of weight. "He still stuck behind me and paid me and just wanted for me to make a comeback," he says. "I eventually did, so if it wasn't for him I wouldn't have done what I've done."

This dedication to the surf and other board sport segments has helped Billabong to make its mark across the globe and to inspire surfers to keep going and to achieve their potential. Its ability to adapt in terms of product offering and geographical reach has enabled the firm to increase its market share and should stand it in good stead for the future, despite the current economic climate.



The brand, which initially made board shorts alone, has increased its product range as well as exploring new international markets.

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